

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 EB-08 COME-00 XMB-04 L-03 USIA-15  
/040 W

-----22251Z 062181 /45

R 220730Z APR 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 8798

UNCLAS MANILA 6067

E.O. 11652: N/A

TAGS: BEXP, RP

SUBJECT: SECOND QUARTER CCP PROGRESS REPORT FOR 1978

REF: A. STATE 5223 & 5224, B. MANILA 1177

1. IN ACCORDANCE WITH THE CURRENT INSTRUCTIONS TO REPORT ON CCP PROGRESS "BY EXCEPTION" RATHER THAN BY SPELLING OUT ACTUAL ACHIEVEMENTS, THE FOLLOWING WILL INDICATE AREAS WHERE WE HAVE HAD DIFFICULTY MEETING CCP OBJECTIVES. ALL OTHER CCP ACTIVITIES ARE ON TRACK AND REACHING DESIRED RESULTS.

2. AS STATED IN MANILA 1177, CCP CAMPAIGN NO. 1, TO PROMOTE AMERICAN LOGGING/FORESTRY AND WOOD PROCESSING EQUIPMENT AND SUPPLIES, WAS MADE EXTREMELY DIFFICULT BY THE CANCELLATION OF THE THE TYPE I TRADE FAIR WHICH WAS TO BE HELD THIS SPRING. THE CAMPAIGN HAS ALSO BEEN INFLUENCED BY CONTINUED GOP RESTRICTIONS ON THE EXPORT OF PHILIPPINE LOGS. ACCORDINGLY, WE HAVE GIVEN PRIORITY TO ENCOURAGING U.S. FIRMS TO PROMOTE WOOD PROCESSING EQUIPMENT IN THIS MARKET.

3. CAMPAIGN NO. 4 EFFORTS TO PROMOTE EXIMBANK PROGRAMS: AS WE HAVE NOTED IN PREVIOUS TELEGRAMS, THERE IS SOME APPREHENSION LOCALLY THAT EXIM'S SUDDENLY INCREASED EXPOSURE IN THE PHILIPPINES HAS MADE IT RELUCTANT TO TAKE ON NEW PROJECTS. WE HAVE GENERALLY DENIED THAT THIS IS A FACTOR, BUT THE UPCOMING VISIT BY AN EXIM TEAM  
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SHOULD HELP TO CLARIFY THE SITUATION.

4. CCP NON-CAMPAIGN ACTIVITY 1 TO COMMENCE FORMAL TALKS ON A SUCCESSOR AGREEMENT TO THE LAUREL-LANGELY TRADE AGREEMENT STILL HAS NOT BEEN REALIZED. THE BALL REMAINS IN THE PHILIPPINE COURT, BUT WE ARE KEEPING THE COMMUNICATION LINES OPEN AND EXPECT PROGRESS BEFORE THE YEAR IS OUT.

5. NON-CAMPAIGN ACTIVITY 2 TO PROTECT U.S. FIRMS AGAINST DISCRIMINATORY PRESSURES CONTINUES TO MAKE PROGRESS, BUT SOME NEW CONCERNS HAVE EMERGED. PROPOSED GOP RESTRICTIONS AGAINST CAPITAL BORROWING IN THE LOCAL MARKET BY FOREIGN FIRMS IS ONE OF THEM. ANOTHER IS AN APPARENT NEW GOP INTENTION TO CHANGE ITS FOREIGN INVESTMENT INCENTIVE PROGRAM TO GUARD AGAINST EXCESSIVE PROFITS OF INDIVIDUAL FOREIGN FIRMS. WE ARE LOOKING INTO THIS DEVELOPMENT AND TRYING TO PERSUADE THE GOP NOT TO TAKE STEPS WHICH WOULD DISCRIMINATE AGAINST AMERICAN FIRMS ESTABLISHED HERE. OTHER PROBLEMS INCLUDE RATTAN, AVON, AND HILL AND KNOWLTON. THE PROPOSED NEW PATENT LAW THAT WOULD ADVERSELY AFFECT TECHNOLOGY TRANSFER BY U.S. FIRMS APPEARS TO BE SHELVED FOR THE MOMENT.

6. NON-CAMPAIGN ACTIVITY 6, TO PROMOTE PHILIPPINE BUSINESS ATTENDANCE AT U.S. DOMESTIC TRADE SHOWS IS ON TRACK, BUT IS BEING HAMPERED BY THE PROBLEMS THAT PHILIPPINE BUSINESSMEN HAVE IN OBTAINING EXIT PERMITS. THE POST FEELS THAT U.S. INTERVENTION IN THIS PHILIPPINE AFFAIR WOULD BE IMPROPER AND WE HAVE REFRAINED FROM ATTEMPTING TO INFLUENCE THE SITUATION.  
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